2013 RENEWABLE ENERGY TAX FACTOR INSTRUCTIONS

FOR RENEWABLE PROPERTIES VALUED BY THE STATE ASSESSED PROPERTIES SECTION

PURPOSE

The purpose of this template is to assist in the estimation of property taxes for renewable energy property that is valued by the State of Colorado. Renewable energy that is valued by the Division of Property Taxation at the state level consists of the following types of renewable energy:

- Any size biomass energy facility, geothermal energy facility, or small and low impact hydroelectric energy that meets the definition of CRS § 39-4-101 (2.3), (2.4), or (3.3) (a) that was first placed in production on or after January 1, 2010.
- Solar energy facility that is greater than 2 Megawatts (MW) that was placed in service on or after January 1, 2009, that meets the definition of CRS § 39-4-101 (3.5).
- Wind energy facility placed in production on or after January 1, 2006, that meets the definition of CRS § 39-4-101 (4).

State assessed renewable energy facilities use real and personal property to generate and deliver to the interconnection meter any source of electric or mechanical energy that is not primarily designed to supply electricity for consumption on site. For a full definition of qualified state assessed renewable energy, please refer to C.R.S. § 39-4-101.

The actual value of any particular wind or solar energy facility will be developed and implemented by the Division of Property Taxation.

Please access and refer to the 2013 Renewable Template for Estimating Property Taxes for Qualifying State Assessed Renewables to complete the estimate.

ENTRIES

- (1) Input the **Net Capacity Factor** for your facility as a percentage.
- (2) Input the **Plant Capacity** for your facility in megawatts (MW).
- (3) Input the **Energy Price** from you purchase power agreement in \$/megawatt hours.
 - (The Energy Price should NOT include any amount attributable to renewable energy credits.)
- (4) Input the **Decimal Mill Levy** of the Facility Location. If last year's tax bill in unavailable, please contact the County where the property is sited to obtain the prior year's mill levy for the location of your facility.

- (5) If the purchase power agreement has an escalating energy price, input the **Inflation Assumption**. If there is no escalation of the energy price, leave this cell at zero.
- (6) The total **Cost Threshold (Non-Renewable) \$ per kilowatts (kW)** are developed annually by the Division and will vary with the size of your facility.
- (7) The **Total Capital Cost Threshold in \$** is automatically calculated by the size of your facility. This is the plant capacity (2) multiplied by the (6) Capital Cost Threshold (non-renewable) multiplied by 1,000 (converts Megawatts-MW to Kilowatts-kW) equals the total capital cost threshold. This is the non-renewable equivalent which is used in the application to derive the valuation of the property.

CALCULATION

Once the inputs are entered, the information will flow through the template and will populate the cells for both the cost method and the income method. There are several formulas embedded in this part of the template. These formulas are locked so it can not be altered. Once this step is completed, the estimation of the Goal Seek Multiplier or the **Tax Factor** can be calculated.

GOAL SEEK

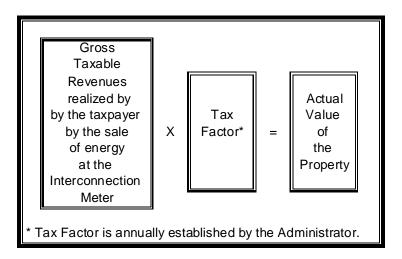
Goal Seek is an internal function of Excel. It will be used to estimate the Tax Factor. On the template, it is referred to as the Goal Seek Multiplier. Initiating this function is a five step process:

Steps:

- On the Tools menu, click Goal Seek. (Excel 2003)
 On the Data Tab, click on What If Analysis (Excel 2010),
 Then click on Goal Seek.
- 2. In the **Set cell** box enter cell **J87**. This cell reference will calculate the total projected property tax from the income method.
- 3. In the **To Value** box, **type the number from cell H63**, the total projected property tax from the cost method.
- 4. In the **by changing cell** box enter cell **E67**. This is the **Tax Factor** that is being solved for.
- 5. Click **OK**, **the Goal Seek functions** will indicate a found solution; click **OK** again to finish the operation.

Result:

The gross revenues at the interconnection meter will be multiplied by the tax factor to derive the actual value of the property, C.R.S., 39-4-102:



THUMBNAIL ESTIMATE

Use this method if a preliminary estimate is needed and net capacity factor, energy price, and escalation rates are unknown. A thumbnail estimate is available by inputting the mill levy of the location and the nameplate capacity of the proposed project. The estimate in the orange square will give an approximate annual estimate of the taxes. Changes annually will occur with changes to the inputs in yellow and the annual capital cost threshold.

State assessed properties values annually on the lien date of January 1st. So, if the project does not begin operations until after January 1st, there is no state assessment until the following year. Any local assessment on the property will remain. Also, the renewable energy assessment does not follow traditional appraisal theory and does not annualize income. Current statute directs the Division to use the income that actually passes through the interconnection meter.

For additional questions or assistance completing the template, please contact the Division of Property Taxation at (303) 866-2682. This model is for qualified state assessed renewable facilities placed in service prior to January 1, 2012.